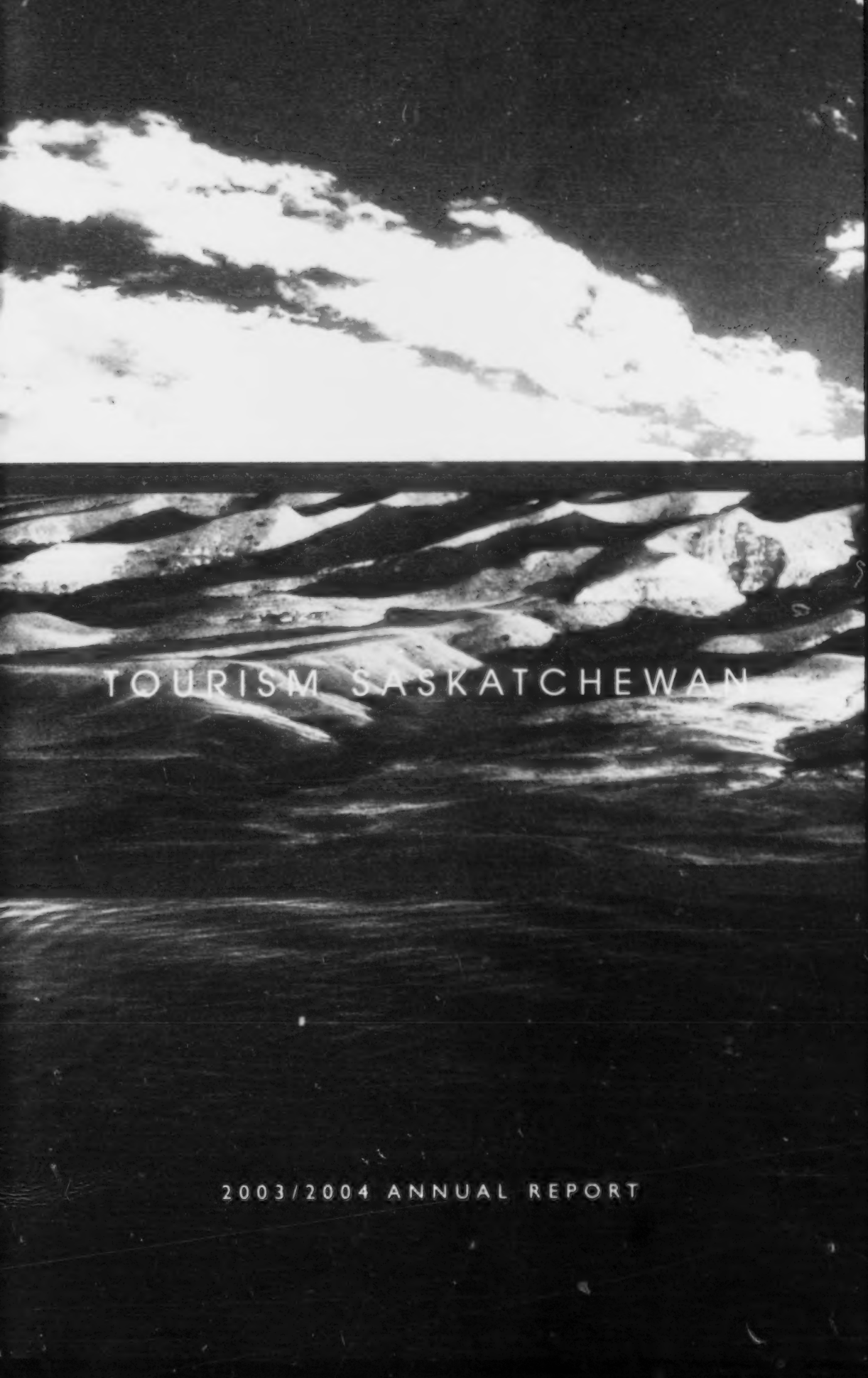

TOURISM SASKATCHEWAN

2003/2004 ANNUAL REPORT

Our Vision of Tourism in Saskatchewan

Tourism is a vital, growing and sustainable economic sector.

Values of Tourism Saskatchewan

- *We believe in providing leadership through excellence in marketing and developing Saskatchewan's tourism potential.*
- *We believe in the power of teamwork, while respecting individual differences.*
- *We believe in conducting ourselves responsibly and with integrity in all endeavors.*
- *We believe in accountability, loyalty and commitment to our partners, our members and ourselves.*
- *We believe in responding creatively to member needs and business opportunities.*
- *We believe in contributing to the social, environmental and economic well-being of our province.*
- *We believe that the wisdom of Elders can provide us with guidance in the appreciation of our natural heritage.*
- *We believe in adapting enthusiastically to future challenges and opportunities.*

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MINISTER'S MESSAGE

Tourism in Saskatchewan is a strong, competitive and sustainable industry. Partnerships form the guiding principle in its development, and people are its driving force. Unlike any other economic sector, tourism is all about a sense of place.

This sense is something Saskatchewan has in abundance. When it is translated into economic benefits, it means about $1.4 billion a year in travel spending and employment for approximately 60,000 people, of which 22,000 are strictly tied to tourism.

This past year has been one of exciting preparations. In 2005, the entire province will participate in a year-long centennial celebration. For two weeks in August, Regina plays host to the 2005 Canada Summer Games. And in May, Saskatoon plays host to Rendez-vous Canada, the tourism industry's premier wholesale marketplace for international buyers and media, for the first time.

Our centennial year will be one of reflecting on the past 100 years and looking to the future. The tourism industry has also been reflecting on the past and looking ahead with its brand repositioning and new Trade Development Strategy. These and other initiatives will ensure that Saskatchewan continues to compete in the domestic and international travel markets.

As Minister Responsible for Tourism, I enjoy my association with the tourism industry and look forward to continuing to develop Saskatchewan's great sense of place.

Eric Cline, Q.C.
Minister
Industry and Resources

Saskatchewan
Our Future is Wide Open ®

Saskatchewan
Industry and
Resources

CORPORATE PROFILE AND GOVERNANCE

Tourism Saskatchewan is dedicated to developing and promoting the province's tourism industry—an industry with opportunities as big and dynamic as our living skies.

Since its inception in 1994, the organization's mandate has broadened and taken shape. Today, working with the members of our industry, the provincial government and other partners, we carry out a variety of programs and initiatives across a range of areas—marketing, education and training, membership and visitor services, industry development, research, information/technology and more—to support tourism growth and economic development.

These efforts draw visitors to our province and enhance and support the services they require as they explore our varied landscapes and cultures, learn our unique history and meet our welcoming people—all under the canopy of Saskatchewan's living skies.

DUALLY ACCOUNTABLE

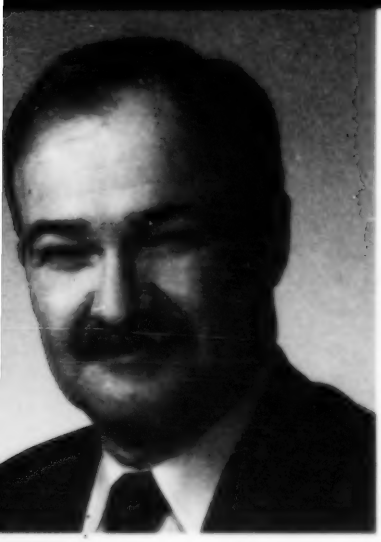
As a sector-based organization, Tourism Saskatchewan is dually accountable. In the delivery of its strategic business operations, the management is responsible for ensuring that Tourism Saskatchewan meets the requirements of its eight legislated functions and responds to a policy-based form of governance outlined by the Board of Directors. This governance includes both a vision and five supporting Ends Policies that provide clear guidance in the process of strategic planning. The legislated functions and the Ends Policies are complementary and support each other in their direction and focus.

Legislated Functions

- The marketing of tourism
- The provision of visitor and information services
- The education and training of individuals involved in the tourism industry
- The planning and development of tourism destination areas
- The administration of tourism funding programs, other than capital funding
- Research and policy development in tourism
- Public awareness of tourism
- The development and promotion of tourism in Saskatchewan

Board's Summary Policy Statements: Ends Policies

- Well developed tourism markets
- An environment for growth within the tourism industry
- Tourism experience diversity
- A Saskatchewan population knowledgeable and supportive of tourism
- Effective and efficient support structures and relationships



CHAIRMAN'S MESSAGE

The end of another year provides an opportunity to look back on our many achievements and focus on the new year ahead. This was another year of major strides forward for Tourism Saskatchewan and our provincial tourism industry.

I would like to extend my thanks to our government partners for the ongoing support provided to the tourism industry in Saskatchewan through our core funding. Over the past year, Tourism Saskatchewan maintained its sound financial position, advanced existing initiatives and created many new projects that will strengthen the tourism industry in Saskatchewan.

The "sense of place" brand was expanded through many of our efforts, including a second annual tabloid-format brochure, our Fall General Meeting and a Saskatchewan dinner reception hosted at Rendez-vous Canada 2004 in Montreal. We also provided industry members with improved ways to communicate with us and each other, and expanded online opportunities.

New working groups were established as we began the process of research and increased communication in such areas as agritourism, northern tourism, sustainable tourism, Aboriginal tourism and cultural tourism.

As a new year begins, we in Saskatchewan's tourism industry are looking ahead to Rendez-vous Canada 2005, which will be hosted in Saskatchewan for the first time. We will launch a new promotional video, our trade development strategy will be completed and we'll be working toward a new funding agreement. Through it all we'll be celebrating Saskatchewan's Centennial with homecoming events around the province, the 2005 Canada Summer Games and a host of other activities.

2005 is set to be a memorable year for Saskatchewan's tourism industry.

Bruce Eaton
Chairman

BOARD OF DIRECTORS

Tourism Saskatchewan's Board of Directors is comprised of 11 members appointed by industry, two appointed by the Government of Saskatchewan and three elected each year by the membership (see table below). Board members meet an average of eight times a year to monitor the work of Tourism Saskatchewan and to provide direction to the administration on behalf of industry.

Board members volunteer their time to the organization and work to represent the entire provincial tourism industry rather than their respective sector's interests. If you would like more information on the Board and its work, please contact the Executive Office of Tourism Saskatchewan at 306-787-0754.

Board of Directors as of September 30, 2004

DIRECTOR	APPOINTED BY	DIRECTOR	APPOINTED BY
Bruce Eaton, Chair	Tourism Saskatoon	Brent Kloeble	Elected at large
Janet Olsen, Vice Chair	Parkland Regional Tourism Association	Bruce Lewis	Prairie Regional Tourism Association
Donna Carlson-O'Keefe	Saskatchewan Outfitters Association	Vance McNab	Federation of Saskatchewan Indian Nations
Greg Dionne	Elected at large	Peter Rudyk	Métis Nation of Saskatchewan
Wayne Elliott	Forest Regional Tourism Association	Bruce Shepard	Heritage/Arts/Multicultural
Trent Fraser	Elected at large	Larry Spannier	Government of Saskatchewan
Lance Grosco	Hotels Association of Saskatchewan	Brian Zawacki	Tourism Regina
Denise Haas	Government of Saskatchewan		

PRESIDENT'S MESSAGE

The standing ovation following Andrea Menard's a cappella performance in Montreal was one of the many highlights from this past year. This performance was one feature of "Saskatchewan Night", where 1,500 Rendez-vous Canada delegates from around the world were given a strong sense of what to expect when they attend Rendez-vous in Saskatoon in 2005. Saskatchewan's industry committee did our province proud. Congratulations.

The impact of culture on our tourism product mix was a key focus over this past year, with continued consideration given to the meaning of "sense of place". In addition to our business and planning agenda, our December conference included a diverse menu of cultural performances and perspectives—Métis, First Nations, rural, urban—culminated in the signing of the Protocol Agreement between Tourism Saskatchewan and the Federation of Saskatchewan Indian Nations.

This agreement represents yet another working partnership designed to move industry development forward in Saskatchewan. Over the past fiscal, Tourism Saskatchewan continued its efforts in support of industry working groups and their related work plans. Completed projects include the baseline study for merchandising, the industry survey on labour shortage, the community planning pilots in northern Saskatchewan, and the securing of the 2006 national Agritourism conference.

Tourism Saskatchewan's core mandate is service to industry, and over this past year, continued focus was applied to the assessment of the service functions, and the development of a new, functional system for planning, objective setting, and monitoring of performance. This system represents a more defined approach for operations, and will be fully engaged for the 2004/05 program year.

While market competition continues to intensify, Tourism Saskatchewan continued its pursuit of new resources for support of industry here in

Saskatchewan. Work by our representatives at the national and regional levels contributed again to our ability to leverage our core funding by over 30%, providing nearly $9.5 million in support of industry. Our work on investment plans for future initiatives has also moved forward, with examples of key successes including a $1 million Homecoming Program, and $350,000 for new training and education initiatives including the Community Tourism Champions Program.

The future success for our industry requires effective and coordinated strategies, ongoing engagement of industry through appropriate partnerships, and new levels of investment. While delivering on our operational obligations, Tourism Saskatchewan advanced work in each of these key areas. Through their contribution and input to these components, the role and continued support of the Board of Directors has been key to the success of the organization.

On behalf of the management and staff of Tourism Saskatchewan, I would like to personally thank our industry partners for their work in support of tourism here in Saskatchewan. While 2003/04 represented another challenging year for our industry, we now look forward to 2005 and Saskatchewan's Centenary celebrations. The Centenary provides a great opportunity for our industry to re-establish its numbers, and to create a new level of activity that will see growth towards 2010.

Roy Anderson
President/CEO

THE YEAR IN REVIEW

From Our Perspective

In a year where recovery from such major negative travel-influencers as SARS and BSE was anticipated, new challenges created frustrations for many in the tourism industry. On first glance, what stands out about 2003/2004 is the unpredictable weather, particularly during the summer months.

Despite these difficulties, the year actually contained more gains and progress than are immediately apparent. The economy in most of Saskatchewan's markets showed marked improvement in 2004, and, as a consequence, we anticipate that the predicted slow but steady recovery will occur in 2005 and 2006.

At the end of this fiscal year, the Canadian Tourism Commission (CTC) released a research document outlining some of the encouraging signs that a recovery of demand may be ahead. Pointing to growth in the first part of this year in travel from key foreign markets in Asia and Europe, the CTC is encouraging the industry to be cautiously optimistic.

Members' Point of View

Following the many challenges of 2002/2003, the industry anticipated a smoother year in 2003/2004. However, the poor weather and lack of growth at projected rates of the U.S. and other international economies left us with a new set of challenges. Here's a look at what industry members around the province experienced over the past year.

"The Saskatchewan outfitting industry had some difficult times early this spring with the late thaw. Some operations lost two to three weeks of their 12 week season. The fall hunting was restricted by the inclement fall weather and late harvest. The increased value of the Canadian dollar relative to the U.S. dollar requires the outfitting industry to re-evaluate their pricing. All accounts are that the 35-40% pricing advantage of the last few years will disappear totally by 2006-2007."

-Hal Stupnikoff, Saskatchewan Outfitters Association

"2004 was a great year for many of our members but was a building year for others. In 2003 we celebrated the city's Centenary and hosted the Grey Cup, and in 2005 we will celebrate the province's Centennial and host the Canada Games, so we found 2004 an 'in-between year'. We are finding that event and convention planners sometimes direct their events to the 'big' years and so we look forward to a very hot 2005."

-Steve McLellan, Tourism Regina

"Saskatoon's industry experienced major variations this year. A strong first and second quarter, driven by the 2005 Nokia Brier and exceptional convention activity, was followed by a quiet summer. Fall is looking busy again with both conferences and events. Our festivals generally had a good year, perhaps a consequence of more people staying close to home due to poor summer weather."

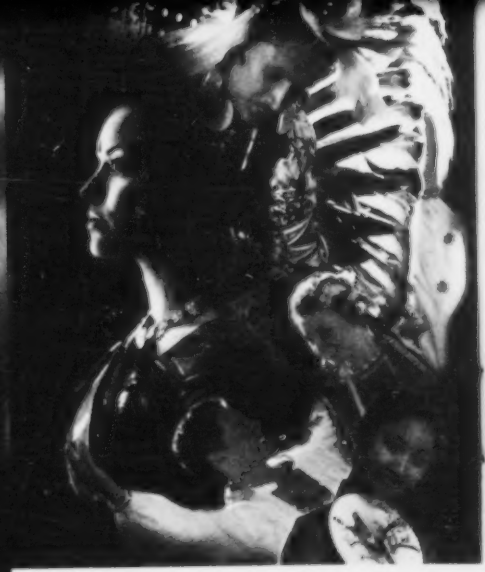
- Todd Brandt, Tourism Saskatoon

"The provincial parks had a challenging year as a result of new and increased park fees as well as undesirable weather for park users. As a result, park revenues were down about 11 per cent. However, our Alberta camping market was strong and we will continue to focus marketing efforts there. Over $1 million of facility upgrades were completed throughout the parks system. To coincide with the province's centennial in 2005, we're planning a Park Passport contest and a variety of activities, as part of the celebrations. We look forward to a good year in the provincial parks."

-Bob Herbison, Parks and Special Places, Saskatchewan Environment

"During the 2003/2004 season, Wanuskewin Heritage Park comfortably weathered the challenges that the tourism industry has been facing for the past couple of years. The Park was able to attract new visitors through the expansion and enhancement of its program and event base. The Park was also able to complete many needed infrastructure repairs that have paved the way for a renewal of our exhibit spaces and visitor service areas. We are excited about our future as part of Saskatchewan's growing tourism industry!"

-Sheila Gamble, Wanuskewin Heritage Park



"The Centennial Museum, the official Regimental museum of the Force, located on the RCMP 'Depot' Division grounds, had a most successful 2004 tourism season. More than 60,000 visitors from all over the world experienced the military atmosphere of the RCMP and its famous museum. Throughout the summer months, the RCMP Members and Cadets of 'Depot' Division proudly assembled eight Sunset-Retreat Ceremonies witnessed by 26,000 spectators. This year the National Tour Association acknowledged the Sunset-Retreat Ceremony as one of North America's Top 100 tourism attractions for 2004."

-Bill Mackay, RCMP Centennial Museum

"Parks Canada's National Historic Sites in Saskatchewan experienced a very successful season; even though the wet conditions and cooler temperatures did contribute to an overall decline in visitation. With support from our tourism partners, we hosted numerous special events and auditioned new visitor programs such as the historic weapons demonstrations at Fort Battleford National Historic Site. Grasslands National Park continues to experience consistent visitation as visitors from Saskatchewan and beyond become aware of Parks Canada's newest gem in the province's south west."

-Irene LeGatt, Parks Canada

"With stellar performances, excellent weather and a near-sellout crowd, we consider this year's Ness Creek Music Festival the 'best year ever'. Over 2,700 people attended the 14th annual celebration of music, culture and the environment, held near Big River, Saskatchewan July 15 to 18, 2004. The success of this Festival brings Ness Creek into its 15th anniversary year on an artistic and financial high note."

-Dale Jack, Ness Creek Music Festival

Key Activities

Along with our partners and members, Tourism Saskatchewan was involved in a number of key activities during 2003/2004. Specific operational obligations and commitments guide our yearly planning and activities. These commitments include operating the five provincial visitor reception centres, producing the industry's core travel publications, managing the partnership with the regions and promoting and delivering a range of education-based programs.

These obligations are our core focus, but we are constantly revising, adapting and creating new approaches and initiatives in order to remain connected to our overall goal—driving economic development in Saskatchewan through tourism. As part of Tourism Saskatchewan's 2004/2005 Strategic Plan, 11 top-line opportunities were prescribed for the organization. Progress was made towards maximizing these top-line opportunities through various areas, and with the support of our many partners.

Operational Highlights:

- Capturing Information: Tourism Saskatchewan's Visitor Services staff members now capture pertinent information from inquirers through a comprehensive and interconnected tourist information system. As part of the overall information management strategy, tourist inquiry information is now centralized with all other tourism information and provides greater opportunity for improved research data, customer interest tracking and relationship management systems.

- Continued Focus on the Short-Haul Market: 500,000 copies of the 2004 tabloid-format brochure were distributed in the key markets of Alberta (250,000), Manitoba (90,000) and Saskatchewan (190,000), as well as an additional 100,000 were distributed in Minneapolis.

- Handling Requests: Inquiries to Tourism Saskatchewan were up 17.2% over last year. Visitor Services staff members responded to 784,080 calls and mail inquiries from potential visitors and Tourism Saskatchewan's consumer website received 697,552 visitors.

- Hosting the Media: More than 50 media familiarization tours were hosted in 2004. Media from Canada, the U.S. and overseas toured Saskatchewan and produced television, radio and print stories about the province. It is expected that the value of the media exposure will approach $1 million.

- Member to Member Program: The member to member discount savings program was expanded to include all products, not just accommodation as was the case in previous years. This program is now featured on our website and is another membership benefit.

- Online Information Management System: The system created and built by our Information Technology department to effectively manage all tourism information, including a database and multiple websites, so impressed Travel Manitoba that they purchased the rights to use this system. The sale of those rights generated $250,000 of direct revenue to Tourism Saskatchewan, and demonstrates our leadership in tourism technology.

- Online Member Voting: In our effort to encourage participation by all members in matters that pertain to Tourism Saskatchewan, its Board of Directors and resolutions, Tourism Saskatchewan developed an electronic, online voting system. This system will be first used in the 2005 Board of Directors At Large elections.

- Tourism Careers - Ready to Work Program: 348 participants enrolled in this program, with 82% successfully completing the classroom component and 75% either finding employment or returning to school. Ready to Work projects were held in Lloydminster, Meadow Lake, Moose Jaw, North Battleford, Prince Albert, Regina, Saskatoon, Thunder Child First Nation and Yorkton.

- Training Deliveries: STEC delivered 236 projects over the past year, with a combined total of 3101 participants. These projects covered such programs as Serve It Right, Service BEST, Apprenticeship Projects and Future Skills.

Top-Line Opportunity Highlights:

- Aboriginal Tourism: We negotiated and signed a Protocol Agreement with the Federation of Saskatchewan Indian Nations to frame areas of cooperation between our two organizations. Meetings were held with senior officials of Indian and Northern Affairs and Aboriginal Business Canada for the purpose of securing longer-term funding commitments for the Aboriginal Tourism Association of Saskatchewan Inc. (ATASI). This support allowed us to proceed with the hiring process for a new manager of ATASI.

- Agritourism: The Provincial Agritourism Working Group was established with the objective of determining which recommendations contained in the Agritourism strategy should be considered for implementation. This group is made up of key agritourism interests in the public and private sectors. Also in the rural tourism area, we bring tourism perspectives to regular meetings of the provincial government's Interdepartmental Rural Development Working Group. As part of the Canadian Agritourism Working Group, we obtained their support and agreement to participate in the hosting of Canada's first-ever Agritourism Conference to be held in Saskatchewan in 2006.

- Boreal Forest Mapping: Funding support was obtained from the Forest Development Fund to assist in the mapping of tourism assets in the boreal forest. This is particularly important for the future of the tourism industry in the area, given the competing land-use interests.

- Cultural Tourism: A number of meetings were held with the Cultural Tourism Task Team to get their support and direction for a number of cultural tourism initiatives. These include the preparation of a merchandising strategy for unique Saskatchewan products and increasing the value of cultural events and festivals.

- E-Store Now Online: Merchandise sold at our Visitor Reception Centres is now also available online. Customers can place orders through our secure website and have their purchases shipped directly.

- Homecoming Program: Tourism Saskatchewan developed and will be implementing the province's Centenary Homecoming Program. Every community in the province will be eligible for support under this program, which also involves partnership with Saskatchewan's tourism regions.

- Northern Tourism Projects: Tourism Saskatchewan prepared five different strategic tourism initiatives for northern Saskatchewan that are being submitted to the Northern Development Agreement. These initiatives have the support of northern stakeholders, including the Northern Tourism Task Team. Positive discussions have also been held with representatives of the Meadow Lake Tribal Council, the Prince Albert Grand Council and New North.

- RCMP Heritage Centre: Tourism Saskatchewan participated directly in the Marketing and Development Committee as this major initiative began to gather steam with the announcement of a world-famous architect who has signed on for the project and detailed business planning discussions.

- Recruitment, Training and Retention: The Tourism Standards Consortium, a partnership of the tourism human resource organizations of Alberta, British Columbia, Manitoba, Saskatchewan and the Yukon, began its fourth joint project since 1991. With funding support through Western Economic Diversification valued at $2.4 million, the group will develop and implement strategies that tackle recruitment, training and retention within the tourism industry in western Canada.

- Rendez-vous Canada: Tourism Saskatchewan worked with industry partners to host the final banquet at Rendez-vous Canada 2004 in Montreal. Guests were treated to the humor of sitcom star Brent Butt of Corner Gas. Saskatchewan performers Connie Kaldor, John Arcand, Andrea Menard and Method to Madness rounded out an evening of fun. Rendez-vous Canada is a business forum that brings together buyers of travel from all over the world with Canadian suppliers.

- Retaining Pass-Through Visitors: An intercept brochure was created and distributed through Tourism Saskatchewan's five provincial Visitor Reception Centers (VRCs) as well as community VRCs along the Trans-Canada Highway and Trans-Canada Yellowhead Highway. Over 500 mail back surveys were received and all information collected will be analyzed to assist in future strategies for influencing pass-through travellers.

- Sustainable Tourism: We began meetings associated with the development of a new sustainable tourism program that will be applicable for a broad range of tourism operators and communities. It is expected these discussions will lead to a program that will be introduced early in 2005.

- Trade Development Strategy: A public consultation session and more than 75 individual consultations on priority opportunities and detailed strategies and tactics were prepared in advance of the release of the Trade Development Strategy.

Another Eventful Year

Tourism Awareness Week in Saskatchewan kicked off summer with a bang, May 30–June 5. People across the province were reminded of the industry through numerous activities at the community, regional and provincial level.

- Tourism Saskatchewan staff members were on-hand at various events and venues around the province as part of the Saskatchewan Tourism Awareness Week RV Tour. Staff provided tourism promotional items and shared information with groups both about travelling in the province and about the tourism industry itself.

- The Saskatchewan Tourism Education Council held its annual STEC Certification Recognition Dinners in Saskatoon and Regina May 31 and June 1.

- Tourism Saskatchewan operated a travel-counselling booth at a major Regina shopping mall during Tourism Awareness Week, complete with computers and online travel information and the 2004 Saskatchewan Vacation Guide. The booth enjoyed a lot of activity, as passers-by stopped to ask questions and benefit from Saskatchewan travel planning assistance.

- The week also served as the perfect time for a news conference to reiterate and celebrate the impact tourism has on the provincial economy. We also launched the third annual Snap It! The Great Saskatchewan Photo Contest. Winners of the photo contest received outstanding Saskatchewan getaway prizes.

As always, Tourism Saskatchewan worked with industry partners to host several other successful events.

- The Fall General Meeting and Conference was held at the Saskatoon Inn, December 2–3, 2003. A major effort was undertaken to incorporate cultural elements into this event. Delegate feedback indicated this approach was very well received.

- Nearly 350 guests made the journey to Saskatoon during a blinding blizzard to salute Saskatchewan's tourism industry at the 15th annual Saskatchewan Tourism Awards held March 19, 2004.

- The Spring General Meeting, April 19–20 at Estevan's Beefeater Motor Inn, provided a forum for discussion on Tourism Saskatchewan's funding program.

- Closing out the year's events with a "FORE!," the Tourism Saskatchewan Golf Classic was held at Jackfish Lodge and Conference Centre in September 2004, and once again provided support to KidSport™.

FINANCIAL MANAGEMENT

Strong fiscal management and effective reporting are critical to our organization. And in response to our unique industry/government partnership, Tourism Saskatchewan is dually accountable in a range of areas, including financial management. Being dually accountable means that financial reports are prepared for each of the eight board meetings held by the Board of Directors. Quarterly financial reports are also submitted to the Department of Industry and Resources as part of our contractual obligations.

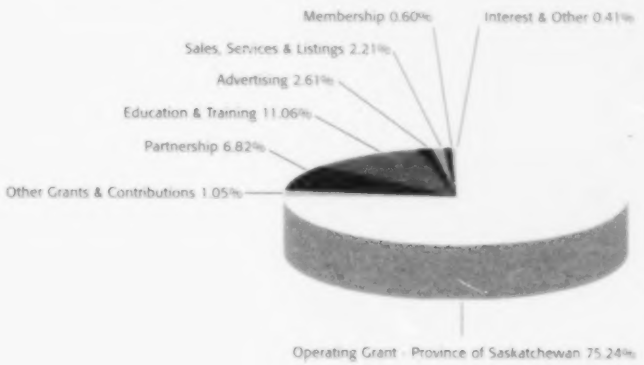
We operated within our budget and ended the year with a small surplus that resulted primarily from the timing of expenditures. We enjoyed a positive cash balance throughout the year and so did not require the use of our line of credit to finance our operations. Because of this, we were able to earn account and investment interest which also contributed to our year end surplus. Tourism Saskatchewan is in a sound financial position. This provides a solid base from which we are able to further our work in support of industry growth.

Revenue Generation

Tourism Saskatchewan was successful in raising additional revenue beyond the $7.165 million annual provincial government grant, achieving total revenue for 2003/04 of $9.52 million. The additional revenue came from:

- *$100,000 in other grants and contributions*
- *$649,706 from partnerships*
- *$1,053,465 for education and training initiatives from external funding programs*
- *$248,462 generated through advertising sales*
- *$83,551 from merchandise sales*
- *$127,080 for sales of listings in travel publications*
- *$56,819 raised through memberships in Tourism Saskatchewan*
- *$38,798 in interest and other earnings*

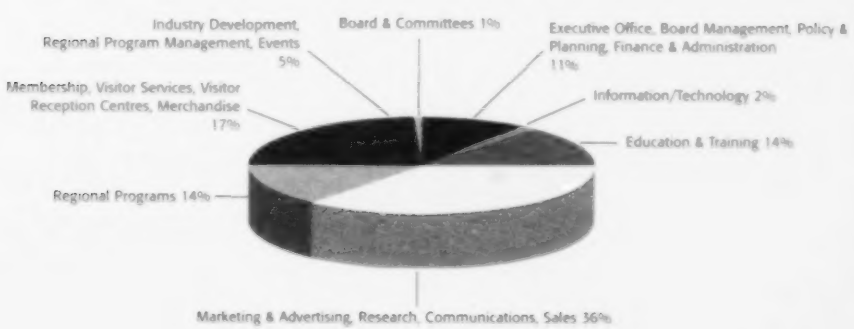
Operating Revenue by Source 2003/2004



Expenditures

Tourism Saskatchewan allocates its annual budget across a broad range of strategic initiatives and programs that reflect goverment's legislative mandate, our Board of Director's vision, and key opportunities for our industry.

Expenditures 2003/2004


Industry Development, Regional Program Management, Events 5%
Board & Committees 1%
Executive Office, Board Management, Policy & Planning, Finance & Administration 11%
Membership, Visitor Services, Visitor Reception Centres, Merchandise 17%
Information/Technology 2%
Education & Training 14%
Regional Programs 14%
Marketing & Advertising, Research, Communications, Sales 36%

Recognition of Industry Contributions

Industry contributions are goods and services provided by industry partners at a discounted or complimentary rate. These partnerships with both traditional and non-traditional tourism supporters provide significant resources to the organization that allow us to carry out initiatives that wouldn't be possible otherwise. There are two key ways these contributions are provided:

1. Industry In-Kind Contributions

Although Tourism Saskatchewan no longer reports the value of in-kind contributions in its financial statements, these contributions from industry are very important because they allow the Authority to divert the foregone expenses to other areas of programming.

On an annual basis Tourism Saskatchewan benefits from more than $1 million in in-kind contributions.

2. Keeping PACE Commitment

Tourism Saskatchewan provides funding for the present regional structure through the Keeping PACE agreement. Each region is required to match money spent on specific initiatives, such as marketing, with money and value from their specific region. The $1.45 million funding that Tourism Saskatchewan provides appears in Schedule 3 of our financial statements. The matching value raised by the regions is significant but does not appear in our financial statements.

Industry's contributions to the Keeping PACE Agreement have averaged approximately $800,000 over the last few years.

Our thanks to industry for their generosity and support. This strong partnership ensures our ongoing success.

Financial Statements of

Tourism Authority

operating as

TOURISM SASKATCHEWAN

September 30, 2004

Deloitte.

AUDITORS' REPORT

To the Members of
Tourism Authority
o/a Tourism Saskatchewan

We have audited the balance sheet of Tourism Saskatchewan as at September 30, 2004 and the statements of operations and changes in (deficit) net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at September 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Saskatchewan
October 25, 2004

TOURISM SASKATCHEWAN
Balance Sheet
September 30, 2004

	2004	2003
ASSETS		
CURRENT		
Cash and cash equivalents	**$1,306,917**	$1,272,338
Accounts receivable	**605,622**	242,364
GST receivable (Note 3)	**36,326**	71,087
Inventory	**100,175**	75,948
Prepaid expenses	**88,438**	50,989
	2,137,478	1,712,726
CAPITAL ASSETS (Note 4)	**934,803**	800,539
	$3,072,281	$2,513,265
LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$599,184**	570,386
Unearned revenue	**903,513**	171,569
Current portion of deferred contributions related to capital assets (Note 6)	**24,433**	21,933
Deferred grant contribution (Note 6)	**288,125**	288,125
Current portion of long term debt (Note 7)	**47,857**	45,544
	1,863,112	1,097,557
LONG TERM		
Deferred contribution related to capital assets (Note 6)	**22,500**	21,933
Leasehold improvement loan (Note 7)	**138,503**	186,360
	2,024,115	1,305,850
NET ASSETS		
Invested in capital assets	**701,510**	524,769
Internal restrictions:		
Partnership Marketing Fund (Note 8)	**86,200**	22,500
President's Marketing Advisory Fund (Note 8)	**51,690**	97,325
Initiatives Fund (Note 8)	**306,038**	562,264
Unrestricted (deficit) net assets	**(97,272)**	557
	1,048,166	1,207,415
	$3,072,281	$2,513,265

See accompanying notes to financial statements.

APPROVED BY THE BOARD:

Director

Director

TOURISM SASKATCHEWAN
Statement of Operations and Changes in (Deficit) Net Assets
Year Ended September 30, 2004

	Unrestricted Operations	Invested in Capital Assets	Internally Restricted for Partnership Marketing	Internally Restricted for President's Marketing	Internally Restricted for Initiatives	Total 2004	Total 2003
REVENUE							
Operating Grant-Province of Saskatchewan	**$7,165,000**	-	-	-	-	**$7,165,000**	$7,040,000
Other Grants & Contributions	**100,000**	-	-	-	-	**100,000**	682,748
Partnership	**649,706**	-	-	-	-	**649,706**	536,510
Education & training	**1,053,465**	-	-	-	-	**1,053,465**	783,828
Advertising	**248,462**	-	-	-	-	**248,462**	244,613
Retail sales (Note 9)	**83,551**	-	-	-	-	**83,551**	55,767
Listings	**127,080**	-	-	-	-	**127,080**	125,387
Membership	**56,819**	-	-	-	-	**56,819**	59,445
Interest & other	**38,798**	-	-	-	-	**38,798**	33,427
	9,522,881	-	-	-	-	**9,522,881**	9,561,725
EXPENSES							
Administration (Schedule 1)	**1,254,727**	-	-	-	-	**1,254,727**	1,614,683
Education & training (Schedule 2)	**1,373,100**	-	-	-	-	**1,373,100**	1,123,688
Marketing & advertising (Schedule 3)	**5,078,435**	-	**18,135**	-	**206,226**	**5,302,796**	4,919,225
Membership & visitor services (Schedule 4)	**1,714,745**	-	-	-	-	**1,714,745**	1,739,179
Board & committees	**36,762**	-	-	-	-	**36,762**	42,116
	9,457,769	-	**18,135**	-	**206,226**	**9,682,130**	9,438,891
EXCESS OF REVENUE (EXPENSES)	**$65,112**	-	**(18,135)**	-	**(206,226)**	**$(159,249)**	$122,834
NET ASSETS, OPENING	**557**	**524,769**	**22,500**	**97,325**	**562,264**	**1,207,415**	1,084,581
Interfund transfers	**(76,741)**	**76,741**	**(4,365)**	**4,365**	-	-	-
Interfund transfers	-	**100,000**	-	**(50,000)**	**(50,000)**	-	-
Internally imposed restrictions	**(86,200)**	-	**86,200**	-	-	-	-
NET ASSETS (DEFICIT), ENDING	**$(97,272)**	**$701,510**	**$86,200**	**$51,690**	**$306,038**	**$1,048,166**	$1,207,415

See accompanying notes to financial statements.

(1) Consists of:

Amortization expense	$216,208
Amortization of deferred contributions related to capital assets (Note 6)	(21,933)
Repayment of leasehold improvement loan	(45,543)
Purchase of capital assets with unrestricted resources	(225,473)
Increase in net assets invested in capital assets	$(76,741)

TOURISM SASKATCHEWAN
Statement of Cash Flows
Year Ended September 30, 2004

	2004	2003
CASH FROM OPERATING ACTIVITIES		
Excess of revenue over expenses - Unrestricted Operations	**$(159,249)**	$122,834
Add (deduct) items not requiring the use of cash:		
Amortization of capital assets	**216,208**	201,290
Amortization of deferred contributions related to capital assets (Note 6)	**(21,933)**	(21,934)
	35,026	302,190
Net change in non-cash working capital working items (Note 11)	**370,570**	(871,089)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**405,596**	(568,899)
CASH FROM INVESTING ACTIVITIES		
Deferred contributions related to capital assets (Note 6)	**25,000**	65,800
Purchase of capital assets	**(325,473)**	(97,876)
Purchase of capital assets from deferred contributions (Note 6)	**(25,000)**	(65,800)
NET CASH USED IN INVESTING ACTIVITIES	**(325,473)**	(97,876)
Cash from financing activities		
Loan proceeds of leasehold improvement loan	-	250,000
Repayment of leasehold improvement loan	**(45,544)**	(369,119)
NET CASH USED IN FINANCING ACTIVITIES	**(45,544)**	(119,119)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**34,579**	(785,894)
Cash and cash equivalents, beginning of year	**1,272,338**	2,058,232
CASH AND CASH EQUIVALENTS, END OF YEAR	**$1,306,917**	$1,272,338

See accompanying notes to financial statements.

1. DESCRIPTION OF BUSINESS

The Tourism Authority (the "Authority"), operating as Tourism Saskatchewan, was incorporated as a non-profit organization under the Tourism Authority Act and commenced operations on October 1, 1994. The Authority was formed to promote and develop tourism in Saskatchewan on behalf of the tourism industry and the Government of Saskatchewan. Certain assets were transferred to the Authority from the Government of Saskatchewan, Department of Economic Development and Saskatchewan Property Management Corporation (SPMC).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) *Revenue Recognition*

The Authority follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and the expenses relating to the contribution are incurred.

b) *Cash and Cash Equivalents*

Cash and cash equivalents are comprised of cash and short term market investments with maturities of three months or less.

c) *Inventory*

Inventory is valued at the lower of cost and net realizable value.

d) *Capital Assets*

Capital assets are recorded at cost and are amortized over their estimated useful lives. Amortization expense is calculated using the straight-line method at the following annual rates:

Photo library	**10%**
Furniture and equipment	**10% to 20%**
Computer equipment	**33%**
Leasehold improvements	**10% to 20%**
Signs and displays	**20%**
Video and video footage	**10%**

e) *Unearned Revenue*

Revenue received by the Authority in advance of the actual performance of services is deferred and is recorded as unearned revenue.

2. Significant Accounting Policies (Continued)

f) *Income Taxes*
The Authority is incorporated as a non-profit organization and is exempt from income taxes.

g) *Use of Estimates*
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

h) *Financial Instruments*
For certain of the Authority's financial instruments, including cash and cash equivalents, accounts receivable, GST receivable, accounts payable and accrued liabilities, and leasehold improvement loan, the carrying values approximate fair value due to the immediate or short term maturity of these items.

3. GST RECEIVABLE

The Authority claims goods and services input tax credits based upon its level of staff time devoted to generating GST taxable supplies. For the year ended September 30, 2004, the applicable rate was 70%. Purchases of goods for resale are eligible for 100% input tax credits.

GST receivable is net of any GST payable.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2004	2003
Photo library	$559,639	246,558	**$313,081**	$286,833
Furniture and equipment	392,460	296,291	**96,169**	142,060
Computer equipment	417,795	356,872	**60,923**	71,379
Leasehold improvements	467,064	221,176	**245,888**	293,854
Signs and displays	111,693	107,878	**3,815**	6,413
Video and video footage	214,927	-	**214,927**	-
	$2,163,578	**$1,228,775**	**$934,803**	$800,539

The capitalized video and video footage costs represent those costs that are directly attributable to the production of a tourism video which will be used as a promotion tool in future years. The production of the video was still in progress as at September 30, 2004 and as a result, no amortization has been taken during the year.

5. OPERATING LINE OF CREDIT

The Authority has access to the following operating line of credit, repayable on demand with interest paid monthly at the TD Bank prime rate.

Base operating limit	$500,000

6. DEFERRED CONTRIBUTIONS

Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent contributions received for the purpose of purchasing capital assets for specific projects.

During the 2003/04 fiscal year, contributions of $25,000 (2002/03 - $65,800) related to the purchase of capital assets had been deferred. The contributions are being recognized on the same basis as the related capital assets are amortized. During the year, $21,933 (2002/03 - $21,934) of the deferred contributions related to capital assets has been recognized as a reduction to amortization expense.

Deferred Grant Contribution

Deferred grant contribution represents the accelerated receipt of an operating grant payment from Industry and Resources. Pursuant to the $7,040,000 annual funding agreement, the payment schedule was revised during the 1998/99 fiscal year. The transition to the revised payment schedule resulted in an accelerated payment of $288,125 being received before the Authority's 1998/99 fiscal year end. $288,125 of the annual receipts will continue to be deferred to maintain a level of operating grant revenue consistent with the annual funding agreement.

7. LONG TERM LIABILITIES

	2004	2003
Leasehold Improvement Loan		
Leasehold improvement loan due April 2, 2007 with an interest rate of 6.0%, repayable in monthly installments of $4,832 including principal and interest, secured by capital assets.	**$186,360**	$231,904
Less due within one year	**(47,857)**	(45,544)
	138,503	$186,360

8. INTERNALLY RESTRICTED NET ASSETS

a) Partnership Marketing Fund

The Authority has entered into contracts with the tourism regions and industry partners to provide funds for eligible marketing activities to be carried out subsequent to the year-end. During the year, the Authority's board of directors internally restricted $86,200 ($22,500 in 2003) of unrestricted net assets, the maximum amount remaining to be paid out pursuant to these contracts and subject to the regions and partners incurring eligible marketing expenditures by November 30, 2004. These internally restricted amounts are not available for other purposes without approval of the board of directors.

Changes to the net assets restricted for the Partnership Marketing Fund are as follows:

	2004	2003
Beginning balance	**$22,500**	$80,448
Less expenditures incurred during the year on regional and industry partner marketing activities	**(18,135)**	(74,131)
Less funds transferred to President's Marketing Advisory Fund representing unspent marketing funds from previous year's marketing contracts	**(4,365)**	(6,317)
Add internally imposed restrictions during the year	**86,200**	22,500
Ending balance	**$86,200**	$22,500

b) President's Marketing Advisory Fund

During the year, the Authority's board of directors internally restricted $4,365 ($6,317 in 2003) for the President's Marketing Advisory Fund. In addition, the Authority's board of directors approved the transfer of $50,000 from the President's Marketing Advisory Fund to Invested in Capital Assets Fund to be used for the production of a tourism video. The CEO of Tourism Saskatchewan determines provincial marketing campaigns in consultation with the President's Marketing Advisory Council. The amount represents unspent marketing funds from the 2002/2003 marketing contracts with the tourism regions and industry partners and is being restricted for this purpose consistent with the recommendation presented in the renewal of the "KEEPING P.A.C.E." agreement of April 2002.

b) President's Marketing Advisory Fund (Continued)

Changes to the net assets restricted for the President's Marketing Advisory Fund are as follows:

	2004	2003
Beginning balance	**$97,325**	$91,008
Internally imposed restrictions during the year	**4,365**	6,317
Interfund transfer to Invested in Capital Assets	**(50,000)**	-
Ending balance	**$51,690**	$97,325

c) Initiatives Fund

In 2002/03, the Authority's board of directors internally restricted $240,000 for specific initiatives for marketing, industry development and internet technology development. These internally restricted amounts are not available for other purposes without approval of the board of directors. Costs of $206,226 were incurred in 2004 for the above activities.

	2004	2003
RVC/Trade Initiative	**$60,538**	$125,273
Mid-Market Consumer Program	**16,457**	20,796
Industry Structure Review	**26,726**	40,000
Industry Development Sector Study	**67,622**	75,000
Web Marketing Strategy	-	26,195
Tourism Video Initiative	-	50,000
Information Technology Development	-	85,000
Industry Development Priority Initiatives	**80,000**	80,000
Web-based Marketing and Research	**54,695**	60,000
Total	**$306,038**	$562,264

9. RETAIL SALES

Retail sales are shown net of cost of goods sold of $108,068 ($108,317 in 2003).

10. COMMITMENTS

Leases

The Authority has entered into leases for office premises in Regina and Saskatoon and Visitor Reception Centres at various locations in the province. The future minimum lease payments are as follows:

2005	$255,102
2006	256,461
2007	258,530
2008	258,719
2009	196,593

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	2004	2003
Accounts receivable	**$(363,258)**	$94,561
GST receivable	**34,761**	(52,905)
Inventory	**(24,227)**	10,623
Prepaid expenses	**(37,449)**	155,054
Accounts payable and accrued liabilities	**28,799**	(104,773)
Unearned revenue	**731,944**	(981,649)
	$370,570	$(871,089)

12. WESTERN ECONOMIC PARTNERSHIP AGREEMENTS

During the year, the Authority entered into an agreement with the Government of Canada to receive $186,250 by March 31, 2006. The agreement requires the Authority to deliver a trade development strategy and to host Canada's premiere travel event called Rendezvous Canada. As of September 30, 2004, $100,000 was set up as an accrued receivable and recognized as income.

During the year, the Authority entered into an agreement with the Government of Saskatchewan and received $558,750 to help fund Rendezvous Canada in 2005 and 2006. As of September 30, 2004, $558,750 had been received and recorded as unearned revenue.

13. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

TOURISM SASKATCHEWAN
SCHEDULE OF EXPENSES
Year ended September 30, 2004

Administration Expenses Schedule 1

	2004	2003
Amortization	**$17,486**	$16,142
Bad debts	**1,655**	4,588
Building rental	**36,352**	39,134
Equipment rental	**9,311**	8,183
Insurance	**13,987**	13,355
Interest and bank charges	**22,050**	37,215
Legal	**10,018**	7,249
Postage	**37,727**	29,852
Professional services	**49,265**	70,921
Repairs and maintenance	**10,182**	13,771
Salaries and benefits	**950,036**	1,258,400
Stationery and supplies	**28,295**	27,391
System consulting/development	**14,141**	31,654
Telephone	**11,240**	12,892
Travel	**42,982**	43,936
	$1,254,727	$1,614,683

See accompanying notes to financial statements.

Education and Training Expenses Schedule 2

	2004	2003
Amortization	**$28,171**	$26,007
Building rental	**52,790**	56,830
Professional services	**5,405**	8,691
Salaries and benefits	**684,259**	641,221
STEC training costs	**517,659**	321,592
Travel	**84,816**	69,347
	$1,373,100	$1,123,688

See accompanying notes to financial statements.

TOURISM SASKATCHEWAN
SCHEDULE OF EXPENSES
Year ended September 30, 2004

Marketing and Advertising Expenses Schedule 3

	Unrestricted Operations	Internally Restricted Initiatives	Internally Restricted for Partnership Marketing	Total 2004	Total 2003
Advertising and media publicity	**$1,416,361**	-	**$18,135**	**$1,434,496**	$1,450,471
Amortization	**47,211**	-	-	**47,211**	43,584
Association and professional dues	**16,993**	-	-	**16,993**	12,364
Audio visual supplies	**4,040**	-	-	**4,040**	6,512
Building rental	**57,847**	-	-	**57,847**	62,275
Courier and freight	**32,203**	-	-	**32,203**	33,074
Events	**101,323**	-	-	**101,323**	103,929
Partnership Marketing Fund	**1,363,899**	-	-	**1,363,899**	1,501,758
Postage	**50,000**	-	-	**50,000**	26,555
Professional services	**439,569**	**121,226**	-	**560,795**	227,457
Promotional items	**18,470**	-	-	**18,470**	20,459
Salaries and benefits	**1,142,544**	**85,000**	-	**1,227,544**	1,099,397
Subscriptions and reference material	**7,560**	-	-	**7,560**	5,045
Telephone	**18,556**	-	-	**18,556**	21,031
Travel	**263,755**	-	-	**263,755**	235,088
Travel show costs	**98,104**	-	-	**98,104**	70,226
	$5,078,435	**$206,226**	**$18,135**	**$5,302,796**	$4,919,225

See accompanying notes to financial statements.

Membership & Visitor Services Expenses Schedule 4

	2004	2003
Amortization	**$101,417**	$93,624
Building rental	**169,116**	182,060
Postage	**199,453**	222,233
Printing, publishing and duplication	**71,602**	98,568
Salaries and benefits	**652,813**	580,224
Telephone	**49,823**	52,985
Travel	**16,074**	15,328
Travel literature	**454,447**	494,157
	$1,714,745	$1,739,179

See accompanying notes to financial statements.

PROUD PARTNERS IN TOURISM

CAA

Global

Labatt

LEADER-POST

PRINTWEST

SaskTel

The StarPhoenix

Tourism Saskatchewan

1922 Park Street
Regina, SK S4N 7M4
Phone: (306) 787-9600
Fax: (306) 787-0715

321 - 4th Avenue North
Saskatoon, SK S7K 2L9
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